Covidien plc
Form DEF 14A
January 25, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

COVIDIEN PUBLIC LIMITED COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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January 25, 2010

Dear Shareholder,

You are cordially invited to attend the 2010 Annual General Meeting of Covidien plc, which will be held on Tuesday, March 16, 2010, at 11:00 a.m., local time, at the Conrad Dublin Hotel, Earlsfort Terrace, Dublin 2, Ireland. Details of the business to be presented at the meeting can be found in the accompanying Proxy Statement. We hope you are planning to attend the meeting. Your vote is important. Whether or not you are able to attend, I encourage you to submit your proxy as soon as possible so that your shares will be represented at the meeting.

On behalf of the Board of Directors and the management of Covidien, I extend our appreciation for your continued support.

Yours sincerely,

Richard J. Meelia

Chairman, President and Chief Executive Officer

2010 Proxy Statement

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COVIDIEN PLC

(REGISTERED IN IRELAND NO. 466385)

2010 ANNUAL GENERAL MEETING TO BE HELD MARCH 16, 2010

NOTICE IS HEREBY GIVEN that the 2010 Annual General Meeting of Covidien plc (Covidien or the Company), a company incorporated under the laws of Ireland, will be held on March 16, 2010, at 11:00 a.m., local time, at the Conrad Dublin Hotel, Earlsfort Terrace, Dublin 2, Ireland for the following purposes:

1. To receive and consider the Company s Irish Statutory Accounts for the fiscal year ended September 25, 2009 and the reports of the Directors and auditors thereon.

2. By separate resolutions, to re-elect as Directors the following individuals who retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election:

(a)	Craig Arnold	(e)	Timothy M. Donahue	(i)	Dennis H. Reilley
(b)	Robert H. Brust	(f)	Kathy J. Herbert	(j)	Tadataka Yamada
(c)	John M. Connors, Jr.	(g)	Randall J. Hogan, III	(k)	Joseph A. Zaccagnino
(d)	Christopher J. Coughlin	(h)	Richard J. Meelia		

3. To appoint Deloitte & Touche LLP as the independent auditors of the Company and to authorize the Audit Committee of the Board of Directors to set the auditors remuneration.

4. To authorize the Company and/or any subsidiary of the Company to make market purchases of Company shares.

5. To authorize the reissue price range of treasury shares.

6. To consider and act on such other business as may properly come before the meeting or any adjournment thereof.

Proposal 5 is a special resolution requiring the approval of not less than 75% of the votes cast at the meeting. Proposals 1 through 4 are ordinary resolutions, requiring a simple majority of the votes cast. Shareholders as of January 13, 2010, the record date for the Annual General Meeting, are entitled to vote on these matters.

By Order of the Board of Directors,

John W. Kapples, Secretary

January 25, 2010

Registered Office:

Cherrywood Business Park

Block G, First Floor

Loughlinstown, Co. Dublin, Ireland

YOUR VOTE IS IMPORTANT. TO ENSURE YOUR REPRESENTATION AT THE MEETING, PLEASE SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE. IF YOU ARE A SHAREHOLDER WHO IS ENTITLED TO ATTEND THE MEETING AND VOTE, THEN YOU ARE ALSO ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE ON YOUR BEHALF. THIS PROXY IS NOT REQUIRED TO BE A SHAREHOLDER OF THE COMPANY. IF YOU ATTEND THE MEETING, YOU MAY VOTE IN PERSON BY FOLLOWING THE INSTRUCTIONS IN THE ATTACHED PROXY STATEMENT, EVEN IF YOU HAVE RETURNED A PROXY.

Our Annual Report to Shareholders, including this Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended September 25, 2009, as well as our Irish Statutory Accounts, are available to shareholders of record at *www. proxyvote.com*. These materials are also available in

the Investor Relations section of our website at *www.covidien.com*.

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COVIDIEN PLC

PROXY STATEMENT

GENERAL INFORMATION

Questions and Answers about Proxy Materials, Voting, Attending the Meeting and Other General Information

Why did I receive this Proxy Statement?

We are making this Proxy Statement available to you on or about January 25, 2010 on the Internet, or by delivering printed versions to you by mail, because our Board of Directors is soliciting your proxy to vote at the Company s 2010 Annual General Meeting on March 16, 2010. This Proxy Statement contains information about the items being voted on at the Annual General Meeting and important information about Covidien.

The following documents are included with the Proxy Statement and are available on our website at *www.covidien.com/covidien/investor*:

· Our Notice of Annual General Meeting and Internet Notice of Availability of Proxy Materials;

· Our Annual Report to Shareholders, including our Annual Report on Form 10-K for the fiscal year ended September 25, 2009; and

· Our Irish Statutory Accounts for the fiscal year ended September 25, 2009 and the reports of the Directors and auditors thereon.

Why do the materials include two sets of financial statements covering the same fiscal period and why do they look different?

Under applicable U.S. securities laws, we are required to send to you our Form 10-K for our 2009 fiscal year, which includes our financial statements prepared in accordance with US Generally Accepted Accounting Principles (US GAAP). Under Irish company law, we are required to provide you with our Irish Statutory Accounts for our 2009 fiscal year, including the reports of our Directors and auditors thereon, which accounts have been prepared in accordance with Irish law.

What proposals are being presented at the Annual General Meeting?

We intend to present proposals numbered one, two (a) through (k), three, four and five for shareholder consideration and voting at the Annual General Meeting. These proposals are for:

1. Receipt and consideration of the Company s Irish Statutory Accounts for our 2009 fiscal year and the reports of the Directors and auditors thereon.

2. Election of Directors.

3. Appointment of Deloitte & Touche LLP as the independent auditors and authorization of the Audit Committee of the Board to set the auditors remuneration.

4. Authorization of the Company and/or any subsidiary of the Company to make market purchases of Company shares.

5. Authorization of the reissue price range of treasury shares. (Special Resolution)

Other than matters incident to the conduct of the Annual General Meeting, we do not know of any business or proposals to be considered at the Annual General Meeting other than those set forth in this Proxy Statement.

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How do I access the proxy materials and vote my shares?

The instructions for accessing proxy materials and voting can be found in the information you received either by mail or email.

For shareholders who received a notice by mail about the Internet availability of proxy materials: You may access the proxy materials and voting instructions over the Internet via the web address provided in the notice. In order to access this material and vote, you will need the control number provided on the notice you received in the mail. You may vote by following the instructions on the notice or on the website.

For shareholders who received a notice by e-mail: You may access the proxy materials and voting instructions over the Internet via the web address provided in the e-mail. In order to vote, you will need the control number provided in the e-mail. You may vote by following the instructions in the e-mail or on the website.

For shareholders who received the proxy materials by mail: You may vote your shares by following the instructions provided on the proxy card or voting instruction form. If you vote by Internet or telephone, you will need the control number provided on the proxy card or voting instruction form. If you vote by mail, please complete, sign and date the proxy card or voting instruction form and mail it in the accompanying pre-addressed envelope.

Who may vote at the Annual General Meeting and how many votes do I have?

If you owned ordinary shares of Covidien at the close of business on the record date, January 13, 2010, then you may vote at the Annual General Meeting by following the procedures outlined in this proxy statement. At the close of business on the record date, we had 500,174,453 ordinary shares outstanding and entitled to vote. Each ordinary share is entitled to one vote on each matter properly brought before the Annual General Meeting.

May I vote my shares in person at the Annual General Meeting?

Yes, you may vote your shares in person at the Annual General Meeting as follows.

If you are a shareholder of record and you wish to vote in person at the Annual General Meeting, you may do so. If you do not wish to attend yourself, you may also appoint a proxy or proxies to attend, speak and vote in your place. A proxy does not need to be a shareholder of Covidien. You are not precluded from attending, speaking or voting at the Annual General Meeting, even if you have completed a proxy form. To appoint a proxy other than the designated officers of the Company, please contact the Company Secretary at our registered office.

If you are a beneficial owner of shares and you wish to vote in person at the Annual General Meeting, you must obtain a legal proxy from the bank, brokerage firm or nominee that holds your shares. You will need to bring the legal proxy with you to the meeting and hand it in with a signed ballot that you can request at the meeting. You will not be able to vote your shares at the Annual General Meeting without a legal proxy and a signed ballot. Even if you plan to attend the Annual General Meeting, we recommend that you also vote by proxy as described above so that your vote will be counted if you later decide not to attend the meeting.

What is the deadline for voting my shares if I do not vote in person at the Annual General Meeting?

If you are a shareholder of record, you may vote by Internet or by telephone until 5:00 p.m., United States Eastern Time, on March 15, 2010.

If you are a beneficial owner of shares held through a bank, or brokerage firm, please follow the voting instructions provided by your bank or brokerage firm.

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What is the difference between holding shares as a shareholder of record and as a beneficial owner of shares held in street name?

Shareholder of Record. If you hold ordinary shares and your name appears in the Register of Members of Covidien, you are considered the shareholder of record of those shares.

Beneficial Owner of Shares Held in Street Name. If your ordinary shares are held in an account at a brokerage firm, bank, broker-dealer or other similar organization, then you are the beneficial owner of shares held in street name. As a beneficial owner, you have the right to direct your bank or brokerage firm how to vote the shares held in your account.

Can I change my vote after I have submitted my proxy?

Yes. You have the right to revoke your proxy before it is voted at the Annual General Meeting, subject to the proxy voting deadlines described above. You may vote again on a later date by Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the meeting will be counted), or by signing and returning a new proxy card with a later date, or by attending the meeting and voting in person. However, your attendance at the Annual General Meeting will not automatically revoke your proxy unless you vote in person at the meeting or file a written instrument with the Secretary of Covidien at least one hour prior to the start of the meeting requesting that your prior proxy be revoked.

What happens if I do not give specific voting instructions when I deliver my proxy?

Shareholders of Record. If you are a shareholder of record and you:

- Indicate when voting by Internet or by telephone that you wish to vote as recommended by our Board of Directors; or

- If you sign and return a proxy card without giving specific voting instructions,

then the Company-designated proxy holders will vote your shares in the manner recommended by our Board of Directors on all matters presented in this Proxy Statement and as the proxy holders may determine in their discretion regarding any other matters properly presented for a vote at the meeting.

Beneficial Owners of Shares Held in Street Name. If you are a beneficial owner of shares and your bank or brokerage firm does not receive instructions from you about how your shares are to be voted, one of two things can happen, depending on the type of proposal. Pursuant to New York Stock Exchange (NYSE) rules, brokers have discretionary power to vote your shares with respect to routine matters, but they do not have discretionary power to vote your shares on non-routine matters. We believe that all proposals other than the election of directors will be considered routine under NYSE rules, which means that the bank or brokerage firm that holds your shares may vote your shares in its discretion. This is known as broker discretionary voting. **Because of a change in NYSE rules, we note that, unlike at our previous annual general meetings, the election of directors is now considered a non-routine matter. Accordingly, the bank or brokerage firm may not vote your shares with respect to the election of directors if you have not provided instructions. This is called a broker non-vote. We strongly encourage you to submit your proxy and exercise your right to vote as a shareholder.**

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What is the quorum requirement for the Annual General Meeting?

In order to conduct any business at the Annual General Meeting, holders of a majority of Covidien s shares which are outstanding and entitled to vote on the record date must be present in person or represented by valid proxies. This is called a quorum. Your shares will be counted for purposes of determining if there is a quorum, whether representing votes for, against or abstained, or broker non-votes, if you:

· are present and vote in person at the meeting;

· have voted by Internet or by telephone; or

· you have submitted a proxy card or voting instruction form by mail.

Assuming there is a proper quorum of shares represented at the Annual General Meeting, how many shares are required to approve the proposals being voted upon at the Annual General Meeting?

The voting requirements for each of the proposals are as follows:

	Proposal	*Vote Required*	*Broker Discretionary Voting Allowed?*
1.	Irish Statutory Accounts and related reports	Majority of votes cast	Yes
2.	Election of Directors	Majority of votes cast	No
3.	Appointment of independent auditors and authorization of the Audit Committee of the Board to set the auditors remuneration	Majority of votes cast	Yes
4.	Authorization to make market purchases of Company shares	Majority of votes cast	Yes
5.	Authorization of the reissue price range of treasury shares *(Special Resolution)*	75% of votes cast	Yes

How are abstentions and broker non-votes treated?

Abstentions and broker non-votes are considered present for purposes of determining the presence of a quorum. Abstentions and broker non-votes will not be considered votes properly cast at the Annual General Meeting. Because the approval of all of the proposals are based on the votes properly cast at the Annual General Meeting, abstentions and broker non-votes will not have any effect on the outcome of voting on these proposals.

Why did I receive a notice in the mail regarding the Internet availability of the proxy materials instead of a paper copy of the proxy materials?

As explained in more detail below, we are pleased to be using the voluntary notice and access system adopted by the Securities and Exchange Commission (the SEC) relating to delivery of the proxy materials over the Internet. As a result, we mailed to many of our shareholders a notice about the Internet availability of the proxy materials instead of a paper copy of the proxy materials. Shareholders who received the notice will have the ability to access the proxy materials over the Internet and to request a paper copy of the proxy materials by mail, by e-mail or by telephone. Instructions on how to access the proxy materials over the Internet or to request a paper copy may be found on the notice. In addition, the notice contains instructions on how shareholders may request proxy materials in printed form by mail or electronically by e-mail on an ongoing basis. As permitted by our Articles of Association, this notice of Internet availability of proxy materials also includes a Notice of Meeting.

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What are the notice and access rules and how do they affect the delivery of the proxy materials?

The SEC s notice and access rules allow us to deliver proxy materials to our shareholders by posting the materials on an Internet website, notifying shareholders of the availability of the proxy materials on the Internet and sending paper copies of proxy materials upon shareholder request. We believe that the notice and access rules allow us to use Internet technology that many shareholders prefer, continue to provide our shareholders with the information they need and, at the same time, assure more prompt delivery of the proxy materials. The notice and access rules also lower our cost of printing and delivering the proxy materials and minimize the environmental impact of printing paper copies.

Why didn t I receive a notice in the mail about the Internet availability of the proxy materials?

Shareholders who previously elected to access the proxy materials over the Internet will not receive a notice in the mail about the Internet availability of the proxy materials. Instead, you should have received an e-mail with links to the proxy materials and the proxy voting website. Additionally, we mailed copies of the proxy materials to shareholders who previously requested to receive paper copies instead of the notice.

If you received a paper copy of the proxy materials, you may elect to receive future proxy materials electronically by following the instructions on your proxy card or voting instruction form. Choosing to receive your future proxy materials by e-mail will help us conserve natural resources and reduce the costs of printing and distributing our proxy materials. If you choose to receive future proxy materials by e-mail, you will receive an e-mail with instructions containing a link to the website where those materials are available and a link to the proxy voting website. Your election to receive proxy materials by e-mail will remain in effect until you terminate it.

How do I attend the Annual General Meeting?

All shareholders are invited to attend the Annual General Meeting.

Shareholders of Record. For admission to the Annual General Meeting, shareholders of record should bring picture identification to the Registered Shareholders check-in area, where ownership will be verified. If you would like someone to attend on your behalf, please contact the Company Secretary at our registered office prior to the meeting.

Beneficial Owners of Shares Held in Street Name. Those who have beneficial ownership of ordinary shares held by a bank, brokerage firm or other nominee should come to the Beneficial Owners check-in area. To be admitted, beneficial owners must bring picture identification, as well as proof from their banks or brokers that they owned Covidien ordinary shares on January 13, 2010, the record date for the Annual General Meeting.

Registration will begin at 10:30 a.m., local time, and the Annual General Meeting will begin at 11:00 a.m., local time. For directions to the Annual General Meeting, please call us at +353 (1) 439-3000.

How will voting on any other business be conducted?

Other than matters incident to the conduct of the Annual General Meeting, we do not know of any business or proposals to be considered at the Annual General Meeting other than those set forth in this Proxy Statement. If any other business is proposed and properly presented at the Annual General Meeting, the proxies received from our shareholders give the proxy holders the authority to vote on the matter at their discretion.

Who will count the votes?

Broadridge Financial Solutions, Inc. will act as the inspector of election and will tabulate the votes.

Who will pay the costs of soliciting the proxies?

We will pay the costs of soliciting proxies. Proxies may be solicited on behalf of Covidien by directors, officers or employees of Covidien in person or by telephone, facsimile or other electronic means. We have retained D. F. King & Co., Inc. to assist in solicitation of proxies and have agreed to pay D. F. King $15,000, plus out-of-pocket expenses, for these services. As required by the SEC and the NYSE, we also will reimburse brokerage firms and other custodians, nominees and fiduciaries, upon request, for their reasonable expenses incurred in sending proxies and proxy materials to beneficial owners of our ordinary shares.

Who is your transfer agent?

Our transfer agent is BNY Mellon Shareowner Services. All communications concerning accounts of shareholders of record, including address changes, name changes, inquiries as to requirements to transfer Covidien stock and similar issues, can be handled by calling toll-free 1-866-210-6572 (U.S.) or +1-201-680-6578 (outside the U.S.) or by accessing Mellon s web site at *www.bnymellon.com/shareowner/isd*.

Where can I find more information about Covidien?

For other Covidien information, you can visit our web site at *www.covidien.com*. We make our web site content available for information purposes only. It should not be relied upon for investment purposes, and it is not incorporated by reference into this proxy statement.

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CORPORATE GOVERNANCE

Our Board of Directors believes that good governance requires not only an effective set of specific practices, but also a culture of responsibility throughout an organization, and governance at Covidien is intended to achieve both. The Board also believes that good governance ultimately depends on the quality of an organization s leadership, and it is committed to recruiting and retaining directors and officers of proven leadership ability and personal integrity.

Corporate Governance Guidelines

The Board has adopted governance guidelines which are designed to assist the Company and the Board in implementing effective corporate governance practices. The governance guidelines, which are reviewed annually by the Nominating and Governance Committee, address, among other things:

- director responsibilities;
- composition and selection of the Board, including qualification standards and independence guidelines;
- majority voting for directors;
- the role of an independent Lead Director;
- Board committee establishment, structure and guidelines;
- officer and director stock ownership requirements;
- meetings of non-employee directors;
- director orientation and continuing education;
- Board access to management and independent advisors;
- communication with directors;
- Board and committee self-evaluations;
- succession planning and management development reviews;
- CEO performance reviews;

- ethics and conflicts of interest; and
- policy on shareholder rights plans.

The governance guidelines are posted on our web site at *www.covidien.com*. We will also provide a copy of the governance guidelines to shareholders upon request.

Independence of Nominees for Director

As noted above, the governance guidelines include criteria adopted by the Board to assist it in making determinations regarding the independence of its members. The criteria, summarized below, are consistent with the NYSE listing standards regarding director independence. To be considered independent, the Board must determine that a director does not have a material relationship, directly or indirectly, with Covidien. In assessing independence, the Board considers all relevant facts and circumstances. In particular, when assessing the materiality of a director s relationship with the Company, the Board considers the issue not just from the standpoint of the director, but also from that of the persons or organizations with which the director has an affiliation. A director will not be considered independent if he or she:

- is, or has been within the last three years, an employee of Covidien;
- has an immediate family member who is, or has been within the last three years, an executive officer of Covidien;
- is a current partner or employee of our auditor;

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- has an immediate family member who is a current partner of our auditor or who is an employee of our auditor and personally works on our audit;
- has been, or has an immediate family member who has been, within the last three years, a partner or employee of our auditor who personally worked on our audit during that time;
- is, or an immediate family member is, or has been within the last three years, employed as an executive officer of a public company that has or had on the compensation committee of its Board an executive officer of Covidien (during the same period of time);
- has, or has an immediate family member who has, received more than $120,000 in direct compensation from Covidien, other than director and committee fees, in any twelve month period within the last three years;
- is a current employee, or has an immediate family member who is a current executive officer, of a company that has made payments to, or received payments from, Covidien for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million or 2% of such other company s consolidated gross revenues; or
- is, or his or her spouse is, an executive officer, director or trustee of a charitable organization to which Covidien s contributions, not including our matching of charitable contributions by employees, exceed, in any single year within the last three fiscal years, the greater of $1 million or 2% of such organization s total charitable receipts during that year.

The Board has considered the independence of its members in light of these independence criteria. In connection with its independence considerations, the Board has reviewed Covidien s relationships with organizations with which our directors are affiliated and has determined that such relationships, other than that with Tyco International Ltd. (Tyco International), were established in the ordinary course of business and are not material to us, any of the organizations involved, or our directors. Based on these considerations, the Board has determined that each of our directors and each of the director nominees, other than Richard J. Meelia, our President, Chief Executive Officer and Chairman of the Board, and Christopher J. Coughlin, the Chief Financial Officer of Tyco International, satisfies the criteria and is independent. These independent directors and director nominees are: Craig Arnold, Robert H. Brust, John M. Connors, Jr., Timothy M. Donahue, Kathy J. Herbert, Randall J. Hogan, III, Dennis H. Reilley, Tadataka Yamada and Joseph A. Zaccagnino. Each independent director is expected to notify the chair of the Nominating and Governance Committee, as soon as reasonably practicable, of changes in his or her personal circumstances that may affect the Board s evaluation of his or her independence.

Director Nominations Process

The Nominating and Governance Committee is responsible for developing the general criteria, subject to approval by the full Board, for use in identifying, evaluating and selecting qualified candidates for election or re-election to the Board. The Nominating and Governance Committee periodically reviews with the Board the appropriate skills and characteristics required of Board members in the context of the current make up of the Board. Final approval of director candidates is determined by the full Board, and invitations to join the Board are extended by the Chairman of the Board on behalf of the entire Board.

The Nominating and Governance Committee, in accordance with the Board s governance guidelines, seeks to create a Board that is strong in its collective knowledge and has a diversity of skills and experience with respect to accounting and finance, management and leadership, vision and strategy, business operations, business judgment, industry knowledge, corporate governance and global markets. When the Committee reviews a potential new candidate, the Committee looks specifically at the candidate s qualifications in light of the needs of the Board and the Company at that time, given the then current mix of director attributes.

As described in our Corporate Governance Guidelines:

- directors should be individuals of the highest ethical character and integrity;

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- directors should have demonstrated management ability at senior levels in successful organizations, including as the chief executive officer of a public company or as the leader of a large, multifaceted organization, including government, educational and other non-profit organizations;

- each director should have the ability to provide wise, informed and thoughtful counsel to senior management on a range of issues and be able to express independent opinions, while at the same time working as a member of a team;

- directors should be free from any conflict of interest or business or personal relationship that would interfere with the duty of loyalty owed to the Company; and

- directors should be independent of any particular constituency and be able to represent all shareholders of the Company.

The Committee assesses independence and also ensures that the members of the Board as a group maintain the requisite qualifications under NYSE listing standards for populating the Audit, Compensation and Human Resources and Nominating and Governance Committees. Directors may not serve on more than four public company boards of directors (including Covidien) or, if the director is employed as CEO of a publicly traded company, no more than three public company boards of directors (including Covidien). No person may stand for election as a director after reaching age 72.

As provided in its charter, the Nominating and Governance Committee will consider nominations submitted by shareholders. To recommend a nominee, a shareholder should write to our Secretary at Covidien s registered address, Cherrywood Business Park, Block G, First Floor, Loughlinstown, Co. Dublin, Ireland. Any such recommendation must include:

- the name and address of the candidate;

- a brief biographical description, including his or her occupation for at least the last five years, and a statement of the qualifications of the candidate, taking into account the qualification requirements set forth above; and

- the candidate s signed consent to serve as a director if elected and to be named in the proxy statement.

The recommendation must also include documentary evidence of ownership of Covidien ordinary shares if the shareholder is a beneficial owner, as well as the date the shares were acquired, as required by the Company s Articles of Association.

To be considered by the Nominating and Governance Committee for nomination and inclusion in the Company s proxy statement for the 2011 Annual General Meeting, shareholder recommendations for director must be received by our Secretary no later than September 27, 2010. Once the Secretary receives the recommendation, we will deliver a questionnaire to the candidate requesting additional information about the candidate s independence, qualifications and other information that would assist the Nominating and Governance Committee in evaluating the candidate, as well as certain information that must be disclosed about the candidate in the Company s proxy statement, if nominated. Candidates must complete and return the questionnaire within the time frame provided to be considered for nomination by the Nominating and Governance Committee.

The Nominating and Governance Committee also receives suggestions for director candidates from Board members and, in its discretion, may also employ a third-party search firm to assist in identifying candidates for director. All 11 of our nominees for director are current members of the Board. In evaluating candidates for director, the Committee uses the guidelines described above, and evaluates shareholder candidates in the same manner as candidates proposed from all other sources. Based on the Nominating and Governance Committee s evaluation of the current directors, each nominee was recommended for re-election. More information regarding each director s qualifications can be found in Proposal Two later in this proxy statement.

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Majority Vote for Election of Directors

Directors are elected by the affirmative vote of a majority of the votes cast by shareholders at the Annual General Meeting and serve for one-year terms. Any nominee for director who does not receive a majority of the votes cast is not elected to the Board.

Executive Sessions

Non-employee directors meet in executive session, without members of management present, at each regularly scheduled Board meeting and at such other times as may be deemed appropriate. These executive sessions may include a discussion with the Chief Executive Officer.

Board Leadership Structure

From June 2007 through September 2008, the positions of Chairman of the Board and Chief Executive Officer were held by separate people, due in part to the fact that the Company was a newly independent stand-alone public company, no longer part of a conglomerate, and also to the fact that the Board was newly constituted and unfamiliar with the Chief Executive Officer. In September 2008, after the Company had completed one full fiscal year as an independent Company, the Board reassessed this structure. Based in part on the strong governance structure laid down by the non-executive Chairman, the Chief Executive Officer s performance during the Company s first full fiscal year as a stand-alone public company, the Board s increasing familiarity and comfort with the Chief Executive Officer and the potential efficiencies of having the Chief Executive Officer also serve in the role of Chairman of the Board, the Board decided to revise its structure. The Board appointed Mr. Donahue as Independent Lead Director and appointed Mr. Meelia, our Chief Executive Officer, as the Chairman of the Board.

The Chairman of the Board provides leadership to the Board and works with the Board to define its structure and activities in the fulfillment of its responsibilities. In conjunction with the Lead Director, the Chairman of the Board sets the Board agendas with Board and management input, facilitates communication among directors, works with the Lead Director to provide an appropriate information flow to the Board and presides at meetings of the Board of Directors and shareholders. The Lead Director works with the Chairman of the Board and Chief Executive Officer and other Board members to provide strong, independent oversight of the Company s management and affairs. Among other things, the Lead Director approves Board meeting agendas as well as the quality, quantity and timeliness of information sent to the Board, serves as the principal liaison between the Chairman of the Board and the independent directors and chairs an executive session of the non-employee directors at each regularly scheduled Board meeting. A more detailed description of the roles and responsibilities of the Chairman of the Board and of the Lead Director is set forth in our Corporate Governance Guidelines.

Code of Ethics

We have adopted the Covidien Guide to Business Conduct, which applies to all of our employees, officers and directors. The Guide to Business Conduct meets the requirements of a code of ethics as defined by SEC regulations and applies to our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, as well as all other employees, as indicated above. The Guide to Business Conduct also meets the requirements of a code of business conduct and ethics under the listing standards of the NYSE. The Guide to Business Conduct is posted on our web site at *www.covidien.com* under the heading Investor Relations Corporate Governance. We will also provide a copy of the Guide to Business Conduct to shareholders upon request. We disclose any material amendments to the Guide to Business Conduct, as well as any waivers for executive officers or directors, on our web site.

Risk Oversight

Our Board of Directors oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance shareholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company. The involvement of the full Board of Directors in setting the Company s business strategy is a key part of its assessment of management s appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company. The full Board of Directors participates in an annual enterprise risk management assessment, which is led by the Company s general counsel. In this process, risk is assessed throughout the business, focusing on three primary areas of risk: financial risk, legal/compliance risk and operational/strategic risk.

While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk, including internal controls, and receives an annual risk assessment report from the Company s internal auditors. The Company s Compliance Committee assists the Board of Directors in fulfilling its oversight responsibility with respect to regulatory, healthcare compliance and public policy issues that affect the Company and works closely with the Company s legal and regulatory groups. In addition, in setting compensation, the Compensation Committee strives to create incentives that encourage a level of risk-taking behavior consistent with the Company s business strategy. Finally, the Company s Nominating and Governance Committee conducts an annual assessment of the risk management process and reports its findings to the Board.

Transactions with Related Persons

Our Board of Directors has adopted written policies and procedures providing for the review and approval or ratification by the Nominating and Governance Committee of certain transactions or relationships involving Covidien and its directors, executive officers, certain shareholders and their affiliates. Transactions subject to this review and approval or ratification include any transaction, arrangement or relationship or series of transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (i) the aggregate amount involved will or may be expected to exceed $100,000 in any calendar year, (ii) the Company is a participant, and (iii) any related party has or will have a direct or indirect material interest. In determining whether to approve or ratify these interested transactions, the Nominating and Governance Committee will take into account, among other factors it deems appropriate, whether the interested transaction is on terms no more favorable to the affiliated third-party than terms generally available to an unaffiliated third-party under the same or similar circumstances, as well as the extent of the related party s interest in the transaction. The following transactions were all considered and approved or ratified by the Nominating and Governance Committee who also determined that none of the transactions impaired the independence of any of our Directors.

Until our separation from Tyco International on June 29, 2007, we constituted the healthcare business of Tyco International. In connection with the separation, we entered into various agreements with Tyco International, including a Separation and Distribution Agreement and a Tax Sharing Agreement. These agreements, which we have filed with the SEC, are described in more detail in our Annual Report on Form 10-K for the fiscal year ended September 25, 2009, and in other documents we have filed with the SEC. During fiscal 2009, we purchased, in the normal course of business, approximately $4.3 million of goods and services from Tyco International, primarily related to electronic security systems and valves and controls. Christopher J. Coughlin, a member of our Board of Directors, is the Executive Vice President and Chief Financial Officer of Tyco International.

During fiscal 2009, we purchased, in the normal course of business, approximately $976,000 of goods and services from Sprint Nextel Corporation and its affiliates. These goods and services were primarily related to telecommunications equipment and services. Robert H. Brust, a member of our Board of Directors, is the Chief Financial Officer of Sprint Nextel.

During fiscal 2009, we purchased, in the normal course of business, approximately $1.4 million of goods and services from Pentair, Inc. and its affiliates. These goods and services were primarily related to filters, metals and molded components. Randall J. Hogan, a member of our Board of Directors, is the Chairman and Chief Executive Officer of Pentair, Inc.

During fiscal 2009, we purchased approximately $235,000 of goods and services from Eaton Corporation and its affiliates in the normal course of business. These goods and services were primarily related to electrical components and services. Craig Arnold, a member of our Board of Directors, is Vice Chairman of Eaton Corporation, as well as the Chief Operating Officer of Eaton s Industrial Sector.

Bryan C. Hanson, the brother-in-law of José Almeida, our Senior Vice President and President of our Medical Devices segment, is President of the Energy-based Devices business unit within our Medical Devices segment. In fiscal 2009, Mr. Hanson earned total cash compensation of approximately $690,000 (consisting of base salary, bonus and Company matches under our retirement plans) and, in connection with existing restricted stock unit awards, was credited with dividend equivalent units having a value of approximately $12,000. In fiscal 2009, he also received a grant of 5,124 restricted stock units, 5,124 performance share units and options to purchase 35,340 of our ordinary shares at $34.15 per share. His compensation was commensurate with that of his peers.

FMR LLC owns more than 5% of our outstanding ordinary shares. In fiscal 2009, we paid various affiliates of FMR LLC approximately $1.2 million, primarily for services as administrator of our Employee Stock Purchase Plan and certain non-qualified retirement plans, including our Supplemental Savings and Retirement Plan.

Communications with the Board of Directors

The Board has established a process for interested parties to communicate with members of the Board. If you have a concern, question or complaint regarding our compliance with any policy or law, or would otherwise like to contact the Board, you may reach the Board via email at *board.directors@covidien.com*. A direct link to this email address can be found on our web site at *www.covidien.com* under the heading Investor Relations Corporate Governance Contact Covidien Board. You may also submit communications in writing to a special address or by phone to a toll-free number that are published on our web site at *www.covidien.com* under the heading Contact Us Ombudsman. Inquiries may be submitted anonymously and confidentially.

All concerns and inquiries are received and reviewed promptly by our Ombudsman. Any concerns relating to accounting, internal controls or audit matters are reviewed with the Audit Committee. All concerns will be addressed by the Ombudsman, with assistance from the Office of the General Counsel as necessary, unless otherwise instructed by the Audit Committee or the Lead Director. The status of all outstanding concerns is summarized to the Audit Committee on a regular basis, and any concern that is determined to be either (1) an immediate threat to the Company or (2) concerns a senior Company official (any Section 16(b) Officer or any direct report to the CEO) is immediately communicated to the Chair of the Audit Committee. The Chair of the Audit Committee or the Lead Director may determine that certain matters should be presented to the full Board and may direct the retention of outside counsel or other advisors in connection with any concern addressed to them. The Covidien *Guide to Business Conduct* prohibits any employee from retaliating against anyone for raising or helping to resolve an integrity question.

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BOARD OF DIRECTORS AND BOARD COMMITTEES

General

Our business, property and affairs are managed under the direction of the Board of Directors, which currently is comprised of 11 members. Directors are kept informed of our business through discussions with the Lead Director, the Chairman of the Board and Chief Executive Officer and other officers, by reviewing materials provided to them, and by participating in meetings of the Board and its committees. During our 2009 fiscal year, the Board held ten meetings. In fiscal 2009, all of our directors attended over 75% of the total of all meetings of the Board and the committees on which they served. Our Corporate Governance Guidelines provide that Board members are expected to attend each Annual General Meeting; all of our Board members attended our 2009 Annual General Meeting.

Board Committees

The Board has a separately designated Audit Committee established in accordance with the Securities Exchange Act of 1934, as well as a Compensation and Human Resources Committee, a Nominating and Governance Committee, a Compliance Committee and a Transactions Committee. Assignments to, and chairs of, the committees are recommended by the Nominating and Governance Committee and selected by the Board. The committees report on their activities to the Board at each regular Board meeting.

The table below provides membership information for the Board and each committee as of the date of this proxy statement.

	Audit Committee	Compensation and Human Resources Committee	Nominating and Governance Committee	Compliance Committee	Transactions Committee
Independent Directors					
Craig Arnold	X				
Robert H. Brust	Chair				X
John M. Connors, Jr.		X			
Timothy M. Donahue[1]		Chair			Chair
Kathy J. Herbert		X			
Randall J. Hogan, III	X				
Dennis H. Reilley			X	X	
Tadataka Yamada			X	X	
Joseph A. Zaccagnino			Chair	X	X
Other Directors					
Christopher J. Coughlin				Chair	X
Richard J. Meelia[2]					
Number of Meetings Held in Fiscal 2009	13	6	4	5	1

[1] *Lead Director*

[2] *Chairman of the Board*

Audit Committee

The Audit Committee monitors the integrity of our financial statements, the independence and qualifications of the independent auditors, the performance of our internal auditors and independent auditors, our compliance

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with legal and certain regulatory requirements and the effectiveness of our internal controls. The Audit Committee is also responsible for selecting, retaining, evaluating, setting the remuneration of (if authorized by the shareholders) and, if appropriate, recommending the termination of our independent auditors. The members of the Audit Committee are Craig Arnold, Robert H. Brust and Randall J. Hogan, III, each of whom is independent under SEC rules and NYSE listing standards applicable to audit committee members. Mr. Brust is the Chair of the Audit Committee. The Board has determined that Mr. Brust and Mr. Hogan are audit committee financial experts. The Audit Committee held thirteen meetings during fiscal 2009. The Audit Committee operates under a charter approved by the Board of Directors, which is posted on our web site at *www.covidien.com.* We will provide a copy of the charter to shareholders upon request.

Compensation and Human Resources Committee

The Compensation and Human Resources Committee reviews and approves compensation and benefits policies and objectives, determines whether our officers and employees are compensated according to these objectives and carries out the Board s responsibilities relating to the compensation of our executives. The members of the Compensation and Human Resources Committee are John M. Connors, Jr., Timothy M. Donahue and Kathy J. Herbert, each of whom is independent under NYSE listing standards. Mr. Donahue is the Chair of the Compensation and Human Resources Committee. The Compensation and Human Resources Committee held six meetings during fiscal 2009. The Compensation and Human Resources Committee operates under a charter approved by the Board of Directors, which is posted on our web site at *www.covidien.com.* We will provide a copy of the charter to shareholders upon request.

Nominating and Governance Committee

The Nominating and Governance Committee is responsible for identifying individuals qualified to become Board members, recommending to the Board the director nominees for election at the Annual General Meeting, developing and recommending to the Board a set of corporate governance guidelines, and taking a general leadership role in our corporate governance. The Nominating and Governance Committee also reviews the succession planning process relating to the Chief Executive Officer and the Company s other senior executive officers, as well as the Company s management development process. The members of the Nominating and Governance Committee are Dennis H. Reilley, Tadataka Yamada and Joseph A. Zaccagnino, each of whom is independent under NYSE listing standards. Mr. Zaccagnino is the Chair of the Nominating and Governance Committee. The Nominating and Governance Committee held four meetings during fiscal 2009. The Nominating and Governance Committee operates under a charter approved by the Board of Directors, which is posted on our web site at *www.covidien.com.* We will provide a copy of the charter to shareholders upon request.

Compliance Committee

The Compliance Committee assists the Board in fulfilling its oversight responsibility with respect to regulatory, healthcare compliance and public policy issues that affect the Company. The members of Compliance Committee are Dennis H. Reilley, Tadataka Yamada and Joseph A. Zaccagnino, each of whom is independent under NYSE listing standards, and Christopher J. Coughlin. Mr. Coughlin serves as the Chair of the Compliance Committee. The Compliance Committee held five meetings during fiscal 2009. The Compliance Committee operates under a charter approved by the Board of Directors, which is posted on our web site at *www.covidien.com.* We will provide a copy of the charter to shareholders upon request.

Transactions Committee

The Transactions Committee, which was formed in June 2009, was created by the Board of Directors to maximize the efficiency of the Board s review and approval process relating to merger, acquisition and divestiture transactions. The members of Transactions Committee are Robert H. Brust, Timothy M. Donahue and Joseph A. Zaccagnino, each of whom is independent under NYSE listing standards, and Christopher J. Coughlin. Mr. Donahue serves as the Chair of the Transactions Committee. The Transactions Committee held one meeting during fiscal 2009.

COMPENSATION OF NON-EMPLOYEE DIRECTORS

The Board of Directors has approved a compensation structure for non-employee directors consisting of an annual cash retainer, supplemental cash retainers for Audit Committee members, Committee Chairs and the Lead Director and equity awards.

Cash Retainers

Board Members. Each non-employee Director receives an annual cash retainer which is generally paid on a quarterly basis. During fiscal 2008, the annual cash retainer was $85,000. In connection with our move to Ireland, which resulted in Irish tax obligations for our directors, we increased the annual cash retainer for our directors to $95,000. This increase went into effect for payments for the second, third and fourth fiscal quarters of 2009, resulting in an effective cash retainer of $92,500 for fiscal 2009.

Committee Chairs and Audit Committee Members. The Chairs of the Compensation and Human Resources Committee, Nominating and Governance Committee and Compliance Committee each receive a supplemental annual cash retainer of $10,000. The Chair of the Audit Committee receives a supplemental annual cash retainer of $15,000 (the previous annual rate of $10,000 was applicable for the first quarter of fiscal 2009, resulting in an effective fiscal 2009 annual payment of $13,750). Each member of the Audit Committee (including the Chair) also receives a supplemental annual cash retainer of $5,000.

Lead Director. The Lead Director receives a supplemental annual cash retainer of $25,000 for his services.

Equity Awards

Restricted Stock Units. At the time of our 2009 Annual General Meeting, each non-employee director received an annual grant of restricted stock units with a value of $120,000. All of these fiscal 2009 awards vest on the date of the Company s 2010 Annual General Meeting. Restricted stock units also accrue dividend equivalent units until the restricted stock units vest and shares are issued. Going forward, we expect that each non-employee director will receive an annual grant of restricted stock units on or around the date of each Annual General Meeting. In July 2009, the Board of Directors approved an increase in the annual grant value from $120,000 to $135,000, to take effect at the time of the next annual grant.

Other

Directors from time to time may make use of tickets to various sporting events provided by the Company; for the year ended September 25, 2009, the aggregate incremental cost to the Company of these amounts was substantially less than $10,000 per director. Pursuant to Covidien s Matching Gift Program, which is available to our directors on the same terms available to our employees, the Company will match contributions to charitable organizations up to $10,000. Directors are also reimbursed for reasonable out-of-pocket expenses incurred in attending Board, Board committee, and shareholder meetings and are also permitted to use the corporate aircraft to travel to and from meetings.

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The following table provides information concerning the compensation paid by us to each of our non-employee directors for the fiscal year ended September 25, 2009. Richard J. Meelia, our President, Chief Executive Officer and Chairman of the Board of Directors, is not included in this table as he is an employee of the Company and thus receives no compensation for his service as a director. The compensation received by Mr. Meelia as an officer of the Company is shown in the Summary Compensation Table on page 32.

2009 Director Compensation Table

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards[1] ($) (c)	Option Awards[1] ($) (d)	All Other Compensation[2] ($) (g)	Total ($) (h)
Craig Arnold	$ 97,500[3]	$ 120,374	$ 37,770	$ 2,084	$ 257,728
Robert H. Brust	$ 111,250[4]	$ 120,374	$ 37,770	$ 2,084	$ 271,478
John M. Connors, Jr.	$ 92,500[5]	$ 120,374	$ 37,770	$ 2,084	$ 252,728
Christopher J. Coughlin	$ 102,500[6]	$ 120,374	$ 37,770	$ 2,084	$ 262,728
Timothy M. Donahue	$ 127,500[7]	$ 120,374	$ 37,770	$ 2,084	$ 287,728
Kathy J. Herbert	$ 92,500[5]	$ 120,374	$ 37,770	$ 2,084	$ 252,728
Randall J. Hogan, III	$ 97,500[3]	$ 120,374	$ 37,770	$ 2,084	$ 257,728
Dennis H. Reilley	$ 92,500[5]	$ 175,828	$ 37,770	$ 2,959	$ 309,057
Tadataka Yamada	$ 92,500[5]	$ 120,374	$ 37,770	$ 2,084	$ 252,728
Joseph A. Zaccagnino	$ 102,500[8]	$ 120,374	$ 37,770	$ 2,084	$ 262,728

1 The amounts in column (c) and (d) reflect the dollar amount recognized for financial statement reporting purposes for our 2009 fiscal year (excluding forfeiture assumptions), in accordance with Accounting Standards Codification 718 (ASC 718) (formerly referred to as SFAS 123R), of restricted stock unit and stock option awards held by our directors, including awards that were made in previous fiscal years. For information on the assumptions used in calculating these amounts pursuant to ASC 718, see Note 15 to the Consolidated and Combined Financial Statements included in our Annual Reports on Form 10-K for the years ended September 25, 2009 and September 26, 2008. These amounts reflect our accounting expense for these awards and do not necessarily correspond to the actual value that will be recognized by each director, which will likely vary based on a number of factors, including our financial performance, stock price fluctuations and applicable vesting. The grant date fair value of the restricted stock unit awards granted in fiscal 2009, computed in accordance with ASC 718, is $119,985 for each director. As of September 25, 2009, each director had 3,836 restricted stock units (including dividend equivalent units) outstanding. As of September 25, 2009, each non-employee director held options to purchase 9,600 ordinary shares received as compensation for serving on our board.

2 The amounts in column (g) reflect the value of dividend equivalent units credited on unvested restricted stock unit awards during fiscal 2009. Dividend equivalent units are credited on unvested restricted stock units at the same rate as any cash dividends paid to holders of the Company s ordinary shares and vest according to the same vesting schedule as the underlying restricted stock units.

3 Includes annual retainer and Audit Committee member retainer of $5,000.

4 Includes annual retainer, Audit Committee member retainer of $5,000 and Audit Committee Chair retainer of $13,750.

5 Includes annual retainer.

6 Includes annual retainer and Compliance Committee Chair retainer of $10,000.

[7] Includes annual retainer, Compensation and Human Resources Committee Chair retainer of $10,000 and Lead Director retainer of $25,000.

[8] Includes annual retainer and Nominating and Governance Committee Chair retainer of $10,000.

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COMPENSATION OF EXECUTIVE OFFICERS

Compensation Discussion and Analysis

Executive Compensation Philosophy

The Compensation Committee s goal in setting executive compensation is to provide a compensation package that attracts, motivates and retains executive talent and rewards executive officers for superior Company and individual performance while encouraging behavior that is in the long-term best interests of the Company and its shareholders. Underlying this general philosophy are the following core principles:

- Compensation should be based on a total rewards perspective, with an explicit role for each element of compensation and with a view to the aggregate value and effect of all other elements.

- We should pay competitively, but not excessively, in order to attract and retain talented executive officers who can achieve our long-term strategic goals and create shareholder value, offering total rewards that are generally within the 50th-75th percentile range based on a review of peer companies in the medical devices and pharmaceutical industries and, as appropriate, general industry and which are fair and reasonable in light of the executive officer s responsibilities, experience and performance.

- Compensation should support our business strategy in the areas of customer focus, globalization, high-performance and innovation. Compensation should also support our talent strategy, including (1) recognizing individual performance through merit increases and individual adjustments to equity grant levels; (2) standardizing pay levels and programs across the Company to facilitate cross-Company career progression; (3) using equity grants to signal potential and nurture career commitment; (4) recognizing the occasional need to pay at upper limits of market data to attract or retain key talent; and (5) emphasizing pay-for-performance through annual and long-term incentive plans rather than through retirement benefits or entitlements such as perquisites.

- Our reward elements should be balanced, providing a mix of incentive plans that balance short- and long-term objectives, provide potential upside for exceeding performance targets (capped at a market-competitive degree of leverage) with downside risk for missing performance targets and balance retention with reward for shareholder value creation, while also ensuring that the elements, individually and in the aggregate, do not encourage excessive risk-taking.

- Compensation goals and practices should be transparent and easy to communicate, both internally and externally, with clear and consistent communication of our total rewards philosophy to executives, limitations on the number of separate compensation plans/programs we provide, minimization of the number of performance metrics per plan, continuity in plan design, alignment of executive programs across the Company and enhancement of the motivational value of compensation by regular communication of progress against goals.

- Compensation should support effective governance. We hold Company officers to stock ownership guidelines to promote long-term ownership, long-term shareholder perspective and responsible practices; we cap awards to limit windfalls; we encourage simplicity and transparency in plan design; we establish clear processes for administering equity and employee benefit plans; and, in assessing the contributions of a particular executive officer, the Compensation and Human Resources Committee (the Compensation Committee) looks not only to results-oriented performance, but also to how those results were achieved whether the decisions and actions leading to the results were consistent with the values of the Company and the long-term impact of those decisions.

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How We Determine Compensation

Compensation Committee Role and Input from Management

The Compensation Committee is responsible for the Company s executive compensation strategies, structure, policies and programs and must specifically approve compensation actions relating to our key executives, which include our executive officers and any other employee who is in career band one and who is either the president of a segment or global business unit or comparable non-United States position or a direct report to the Chief Executive Officer. The Compensation Committee also reviews and approves actions related to other aspects of compensation that affect employees below the key executive level, including size of bonus pools, annual incentive plan performance goals, equity award design, equity value ranges and aggregate value of equity to be awarded. In addition, the Compensation Committee has established a governance structure to oversee our broad-based employee health, welfare and retirement benefit programs.

For each key executive officer, other than our Chief Executive Officer, the Compensation Committee relies on input from our Chief Executive Officer and our Senior Vice President of Human Resources in setting the officer s performance objectives, evaluating the actual performance of each officer against those objectives and recommending appropriate salary and incentive awards. The Chief Executive Officer and Senior Vice President of Human Resources participate in Compensation Committee meetings, at the request of the Compensation Committee, to provide background information and explanations supporting compensation recommendations. Our Chief Executive Officer conducts annual performance evaluations of each named executive officer, which he discusses in detail with the Compensation Committee. Each executive also receives a Talent Leadership Review rating, as described below, which is also considered by the Compensation Committee.

The Compensation Committee drives the annual performance evaluation of our Chief Executive Officer. The process begins with the Compensation Committee approving an evaluation form which is then completed by the Chief Executive Officer as a self-evaluation. This completed self-evaluation is submitted to the full Board of Directors for review along with a blank evaluation for completion by each Director. The Compensation Committee s independent consultant compiles the results of the evaluations and prepares a summary which is provided to the Compensation Committee. The Compensation Committee reviews and discusses the results and also reports back to the full Board of Directors.

Covidien also utilizes a career band structure to facilitate its efforts to (i) increase control over compensation and benefit programs and costs, (ii) align our programs with market practices, and (iii) provide internal pay equity across all of our businesses. Each of our employees has been assigned to one of eight career bands, based on job description. Eligibility parameters for long-term incentive compensation and eligibility for participation in certain benefit programs are based on career bands. All of our named executive officers are in the same career band. Finally, as noted below, the Compensation Committee relies on information from, and reports prepared by, its independent consultant and on information obtained from other external data providers.

Compensation Consultants

The Compensation Committee has the sole authority to retain, compensate and terminate any independent compensation consultants of its choosing. During fiscal 2009, Steven Hall & Partners served as the Compensation Committee s independent compensation consultant. Steven Hall & Partners reports directly to the Compensation Committee and does not provide services to, or on behalf of, any other part of our business. Steven Hall typically provides the Compensation Committee with advice on compensation program design and best practices and, as noted below, produces the comparative information derived from the peer group and published survey data that the Compensation Committee reviews. Major services provided by Steven Hall & Partners during fiscal 2009 included: (1) preparing the market study described below; (2) reviewing the Company s compensation peer group; (3) analyzing the Company s share allocation and utilization as compared with 10 peer companies; (4) providing regulatory updates and (5) assisting the human resources department in preparing the tally sheets reporting total compensation. Steven Hall & Partners is the only compensation consultant who plays a role in determining or recommending the amount or form of executive compensation.

Peer Group Review and Market Data

When reviewing compensation programs for the named executive officers, the Compensation Committee considers the compensation practices of specific peer companies whose annual revenues are generally within the range of one-half to two times our annual revenues, as well as compensation data from general industry published surveys. In selecting the peer group to be considered in setting 2009 compensation, the Compensation Committee considered various factors relating to similarly-situated medical device and pharmaceutical companies, including revenue, net income, and market capitalization.

The Compensation Committee approved the following specific peer group for purposes of setting 2009 compensation:

- Baxter International Inc.
- Becton, Dickinson & Company
- Boston Scientific Corporation
- Bristol-Myers Squibb Company
- Medtronic, Inc.
- Schering-Plough Corporation
- St. Jude Medical, Inc.
- Stryker Corporation
- Thermo Fisher Scientific, Inc.
- Zimmer Holdings, Inc.

We believe that this peer group represents our primary competitors for capital, executive talent and, in some cases, business within our industry. The Compensation Committee reviews this peer group on an on-going basis and modifies it as circumstances warrant.

In setting compensation for fiscal 2009, the Compensation Committee considered a market study prepared by its independent compensation consultant (the results of which we refer to as the market data). The study included data derived from a number of sources, including the proxy statements of the Company s peer group companies, a Watson Wyatt Survey Report on Top Management Compensation, a Radford Executive Survey, three confidential survey sources and, for companies with revenue of approximately $10 billion, general industry data as well as data for the medical instruments, pharmaceuticals and bio-technology industry where available. Proxy data was weighted more heavily for the chief executive officer and chief financial officer positions than for group head positions. In addition, based on his current responsibilities, data for senior operating executives was utilized in considering Mr. Almeida s compensation. This market data included the following compensation elements: base salary, annual incentive awards and the value of equity awards.

Use of Tally Sheets

In setting compensation for each named executive officer, in addition to reviewing market data, the Compensation Committee reviews each named executive officer s total annual compensation from the previous four years, including the various elements described below. The Compensation Committee uses individual tally sheets prepared by our human resources department and the Compensation Committee s compensation consultant as a presentation format to facilitate this review. The tally sheets identify the value of each pay element, including base salary, annual incentive bonus, sign-on or other cash payments, long-term incentives, equity holdings and retirement benefits. Options on the tally sheets are valued using the Black-Scholes option pricing model at their grant date value. Restricted stock units are valued at grant date and performance share units are valued at the target award level. The tally sheets also reflect current stock ownership as well the value of termination and change-in-control payments under the various potential termination and change-in-control scenarios contemplated in our equity compensation plan, our severance plan, our change-in-control severance plan and, in the case of our Chief Executive Officer, his employment agreement. Reviewing the tally sheets helps

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the Compensation Committee to balance the various elements of compensation and ensure that no one element is weighted too heavily and that there is an appropriate mix between fixed and variable compensation and between short- and long-term compensation.

Talent Leadership Review

The Company utilizes a Talent and Leadership Review (TLR) process to manage its talent and organizational capability with the goal of maximizing organizational excellence and business success. TLR assists the Company in understanding its leadership strengths and gaps, helps identify key and emerging talent and provides insight into current organizational capability versus strategic goals and objectives. As part of the TLR process, the Chief Executive Officer in conjunction with the Senior Vice President of Human Resources assigns to each executive officer a rating on two discrete dimensions: leadership behaviors and results. Three possible ratings can be assigned in each of these two dimensions: exceptional, effective, and not yet effective. While the TLR process is intended to assist in evaluating the needs of the Company from a human resources perspective, these ratings are also considered by the Chief Executive Officer in formulating recommendations to the Compensation Committee for subsequent modifications to the compensation for the executive officers.

Total Rewards Driving Performance and Behavior

Two of the core principles of the Company s compensation philosophy, as articulated above, are that compensation should support effective governance, and that compensation should be viewed from a total rewards perspective, considering each compensation element with a view to the aggregate value and effect of all other compensation elements. Accordingly, in setting compensation, the Compensation Committee considers whether the compensation elements, individually and in the aggregate, create incentives that encourage behavior consistent with the overall interests of the Company.

In determining compensation packages for our named executive officers, the Compensation Committee seeks to strike an appropriate balance between fixed and variable compensation and between short- and long-term compensation. We believe that making a significant portion of our named executive officers compensation variable and long-term supports our pay-for-performance executive compensation philosophy while also mitigating potential excessive risk-taking behavior.

The following table illustrates the distribution of value among base salary, annual incentive cash awards and long-term incentives for our Chief Executive Officer and the four other named executive officers for fiscal 2009.

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While annual cash incentives play an important role in the Company s executive compensation program, overweighting this form of compensation can encourage strategies and risk that may not correlate with the long-term best interests of the Company. The Compensation Committee strives to mitigate potential risk relating to the short-term nature of our annual incentive plan through a mix of financial metrics, which provide checks and balances, as well through the caps on cash awards built into the plan design. We emphasize share-based compensation, in combination with executive share ownership guidelines, to promote long-term ownership, long-term shareholder perspective and responsible practices, encouraging significant and sustainable performance over the longer term. Our long-term equity incentive program includes a mix of vehicles to mitigate the risk of over-emphasis on any one element and also includes a cap on awards of performance share units. Additionally, claw-back provisions apply to monetary gains from equity grants realized by executives terminated for cause. Finally, in assessing the contributions of a particular executive officer, the Compensation Committee looks not only to results-oriented performance, but also to how those results were achieved whether the decisions and actions leading to the results were consistent with the values of the Company and the long-term impact of those decisions.

The Compensation Committee, supported by its independent consultant, believes that the Company s executive compensation program does not encourage our management to take unreasonable risks relating to our business, particularly in light of the following factors:

- our use of different types of compensation vehicles that provide a balance of long- and short-term incentives with fixed and variable components;
- the cap on awards to limit windfalls;
- our practice of looking beyond results-oriented performance in assessing the contributions of a particular executive;
- our share ownership guidelines; and
- our claw-back policy for equity, which allows us to seek to recover the amount of any profit the named executive officer realized upon the exercise of options or vesting of other equity awards during the 12-month period that occurs immediately prior to the officer s involuntary termination for cause.

Elements of Compensation

Our compensation program for named executive officers has four major components, all of which are designed to work together to drive a complementary set of behaviors and outcomes.

- *Base salary*. Base salary is intended to reflect the market value of the named executive officer s role, with differentiation for individual capability.
- *Annual incentive compensation*. Annual incentive compensation in the form of a market-competitive, performance-based cash bonus is designed to focus our executives on pre-set objectives each year and drive specific behaviors that foster short-term and long-term growth and profitability.
- *Long-term incentive awards*. Long-term incentive compensation generally consists of grants of stock options, restricted stock units with time-based vesting and restricted stock units with performance-based vesting, which we refer to as performance share units. Long-term equity incentive compensation is designed to recognize executives for their contributions to the Company and highlight the strategic significance of each named executive officer s role, to promote retention and to align the interests of named executive officers with the interests of our stockholders in long-term growth and stock performance, rewarding executives for shareholder

value creation. In fiscal 2009, the Compensation Committee granted a mix of stock options, restricted stock units with time-based vesting and, for the first time, performance share units.

- *Employee benefit programs* offered to the named executive officers include:

  - health and welfare benefits which are consistent with those offered to our broad employee base;

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- retirement benefits consisting of a defined contribution 401(k) plan and a non-qualified deferred compensation plan;
- an executive physical and, for our Chief Executive Officer, additional health and welfare benefits and the limited personal use of corporate aircraft; and
- change in control and severance benefits designed to provide income security to our named executive officers and to facilitate our ability to attract and retain executives as we compete for talent in a marketplace in which such protections are standard practice.

Base Salary

Base salaries are paid in order to provide a fixed component of compensation for the named executive officers. Each named executive officer s base salary is designed to be competitive with comparable positions in our peer group companies, with adjustments made for the complexity and unique challenges of the position and the individual skills, experience, background and performance of the executive. The Compensation Committee has established as the target for the base salaries of our named executive officers a range of the 50th to 75th percentile of base salary compensation paid to executives in comparable positions at our peer group companies and based on general industry published surveys. In setting base salaries for calendar year 2009, the Compensation Committee reviewed, among other things, a summary prepared by Steven Hall & Partners which detailed each named executive officer s then 2008 base salary compared to market data as well as 2008 total cash compensation compared to market data.

In November 2008, the Compensation Committee approved base salary increases, which became effective December 22, 2008, as follows:

Executive Officer	2008 Base Salary(1)	2009 Base Salary(1)	% Change
Richard J. Meelia	$1,123,500	$1,250,000	11.3%
Charles J. Dockendorff	$618,100	$679,900	10.0%
José E. Almeida	$601,100	$700,000	16.5%
John H. Masterson	$500,200	$525,200	5.0%
Timothy R. Wright	$545,300	$599,800	10.0%

(1) The Compensation Committee sets base salaries on a calendar year basis. Accordingly, the base salary amounts noted in this table, which represent calendar year base salaries, differ from the base salary amounts set forth in the Summary Compensation Table because the Summary Compensation Table reports amounts actually earned during our fiscal year, from September to September.

The salary increases were based on a consideration of individual performance, assessment of the value of the individual to Covidien, a review of total individual compensation and a comparison to market data. Individual performance, other than for Mr. Meelia, was measured through performance evaluations performed by Mr. Meelia and discussed with the Compensation Committee. Mr. Meelia also discussed with the Compensation Committee the value to the Company of each of the named executive officers. Mr. Meelia s individual performance was based on an evaluation performed by the Board of Directors, who also discussed his value to the Company.

Four of the five named executive officers received base salary increases at or above 10%. These above-average salary increases were intended to bring base salaries above the 50th percentile of base salary compensation based on market data and reflected the extraordinary and continuing contributions of these four individuals to the Company s success during its first full year as an independent publicly-traded company. Following the base salary increases for fiscal 2009, all named executive officers are in the 50th to 75th percentile range of base salary compensation paid to executives in comparable positions, based on market data.

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The Compensation Committee reviews the base salary payable to our named executive officers on an annual basis. The Compensation Committee will adjust base salaries in the future as it deems appropriate based on various factors, including the role and performance of the named executive officers, market compensation levels and internal compensation equity considerations.

Annual Incentive Compensation

Annual incentive compensation supports the Compensation Committee s pay-for-performance philosophy and aligns individual goals with Company goals. Under the annual incentive plan, which is an element of our 2007 Stock and Incentive Plan, employees are eligible for annual incentive cash awards based on the Company s attainment of specific pre-established performance metrics. The annual incentive plan is generally structured as follows, with changes made from year to year to reflect changing business needs and competitive circumstances:

- At the beginning of each fiscal year, the Compensation Committee establishes performance measures and goals, which include the financial metrics being assessed, as well as minimum thresholds required to earn an award, target performance scores and maximum performance scores.

- Also at the beginning of each fiscal year, the Compensation Committee sets individual award targets for each executive, expressed as a percentage of base salary. In general, the Compensation Committee will establish the individual award targets for each named executive officer each year based on the executive s level of responsibility and upon an examination of compensation information from our peer group and published industry surveys.

- After the close of each fiscal year, the Compensation Committee receives a report from management regarding Company, segment and business unit performance against the pre-established performance goals. Awards are based on each named executive officer s individual award target percentage and the overall Company and/or individual segment s performance relative to the specific performance goal, as certified by the Compensation Committee.

Setting Annual Performance Metrics. There are two primary classifications of performance metrics utilized in the annual incentive plan, Core Financial Metrics and Strategic Focus Metrics. For fiscal 2009, the Core Financial Metrics applicable to named executive officers at the corporate level (Messrs. Meelia, Dockendorff and Masterson) were Company sales growth and Company net income. The Core Financial Metrics applicable to the two named executive officers who run operating segments, Mr. Almeida (Medical Devices) and Mr. Wright (Pharmaceuticals) were sales growth and operating income at the applicable operating segment. For fiscal 2009, the Strategic Focus Metric applicable to the named executive officers at the corporate level was Company cash flow and the Strategic Focus Metrics applicable to the named executive officers at the segment level were Company cash flow and Company net income. Each performance metric represents part of the total award calculation, with the Core Financial Metrics accounting for, in the aggregate, 70% of the performance score and the Strategic Focus Metrics accounting for, in the aggregate, 30% of the performance score.

Minimum Performance Requirement. In addition to setting performance metrics and targets, at the beginning of each fiscal year, the Compensation Committee also establishes a minimum annual performance requirement for participation in the annual incentive plan. In fiscal 2009, the minimum threshold required to earn an award was, for named executive officers at the corporate level, 75% of target net income and, for the named executive officers at the segment level, 75% of target segment operating income.

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Calculating Performance Scores. If the minimum threshold for participation is met, then a performance score for each performance metric is determined and the overall performance score is calculated. For the Core Financial Metrics, thresholds and maximums are set, which, for fiscal 2009, were as follows:

Metric	Threshold	Maximum
Sales Growth (*Company and segment*)	2% below target	2% above target
Net Income (*Company*)	85% of target	115% of target
Operating Income *(segment)*	85% of target	115% of target

For each Core Financial Metric, the performance score would be 0 if performance is below the threshold and up to 200% if performance is at or above the maximum level. For Strategic Focus Metrics, no thresholds or maximums are set only targets, which are either achieved or missed. If the target is missed, the performance score for the Strategic Focus Metric is 0. If the target is achieved, the performance score for the Strategic Focus Metric is 100%. In addition, if the Strategic Focus Metric target is achieved and the performance score for sales growth is greater than 100%, then the score for the Strategic Focus Metric will be increased to the same score as the sales growth.

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The table below summarizes the performance measures, weights, targets and actual results used to determine the fiscal 2009 annual incentive cash awards for our named executive officers.

Fiscal 2009 Annual Incentive Plan Design Summary

Executive Officer	Performance Metric[1]	Weight	Performance Target	Performance Results[1] [2]
			(dollars in millions)	
Richard J. Meelia Charles J. Dockendorff John H. Masterson	Sales Growth *(Company)*	40%	8.1%	7.5%
	Net Income *(Company)*	30%	$ 1,444	$ 1,666
	Cash Flow *(Company)*	30%	$ 1,450	$ 1,461
José E. Almeida	Sales Growth *(Medical Devices segment)*	40%	6.7%	5.7%
	Operating Income *(Medical Devices segment)*	30%	$ 2,060	$ 2,099
	Cash Flow *(Company)*	15%	$ 1,450	$ 1,461
	Net Income *(Company)*	15%	$ 1,444	$ 1,666
Timothy R. Wright	Sales Growth *(Pharmaceuticals segment)*	40%	15.7%	14.5%
	Operating Income *(Pharmaceuticals segment)*	30%	$ 612	$ 748
	Cash Flow *(Company)*	15%	$ 1,450	$ 1,461
	Net Income *(Company)*	15%	$ 1,444	$ 1,666

(1) The performance metrics used for compensation purposes include non-GAAP financial measures which exclude the effects of anticipated one-time, generally non-recurring items which the Compensation Committee believes may mask the underlying operating results and/or business trends of the Company or business segment, as applicable. The categories of these anticipated extraordinary items are identified at the beginning of the fiscal year when the performance measure is approved and, for fiscal 2009, included certain restructuring charges, impairment charges, in-process research and development charges, licensing fee charges, shareholder and other litigation charges and certain legacy tax matters.

For fiscal 2009, the performance metrics had the following meanings:

- Sales growth is the total change in net trade sales for fiscal year 2009 in US dollars, calculated using fiscal 2008 foreign exchange rates, divided by fiscal year 2008 net trade sales.

- Net income is the non-GAAP net income of the Company, which excludes the items noted above.

- Operating income is the operating income of the applicable operating segment, calculated using the foreign exchange rate applied in setting the segment s annual operating plans in order to eliminate the effect of currency fluctuations.

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- Cash flow means free cash flow, which is net cash provided by operating activities minus capital expenditures and excluding cash changes from investing or financing activities.

(2) Pursuant to the 2009 Annual Incentive Plan, the Compensation Committee also may adjust the performance results to take into account extraordinary items that were not anticipated at the start of the year. For fiscal 2009, the calculation of net income, operating income and sales growth performance results excluded pro-forma operating income and sales from acquisitions not contemplated in our fiscal 2009 operating plan. Excluding such income and sales had the effect of decreasing the ultimate performance results applicable to our named executive officers.

The table below sets forth the fiscal 2009 award target percentages, as well as the threshold, target, maximum and actual award payments for each of our named executive officers. In setting individual target percentages for fiscal 2009, the Compensation Committee reviewed, for each named executive officer, the target percentages applicable in fiscal 2008, the total cash compensation received in fiscal 2008 and the projected cash compensation for fiscal 2009, considering how the total cash compensation of each named executive officer compared to peer group and related market data. The Compensation Committee also took into account the day-to-day responsibilities of each named executive officer. Following this review, the Compensation Committee determined that the 2008 award target percentages generally remained appropriate in light of peer group data and the overall compensation of each executive officer, although the target percentages were increased by 5 percentage points for Mr. Masterson and Mr. Almeida and by 10 percentage points for Mr. Meelia in order to bring total cash compensation for each above the 50% percentile of peer group and other market data.

Annual incentive cash award payments for fiscal 2009 were approved in November 2009 by our Compensation Committee. The actual award payments are also reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table and the threshold, target and maximum bonus payments are also reported in the Estimated Future Payouts Under Non-Equity Incentive Plan Awards column of the Grants of Plan-Based Awards Table.

Fiscal Year 2009 Annual Incentive Awards

Executive Officer	Target Percentages	Threshold	Target	Maximum	Actual
Richard J. Meelia	130%	$812,500	$1,625,000	$3,250,000	$2,009,735
Charles J. Dockendorff	85%	$288,958	$577,915	$1,155,830	$714,742
José E. Almeida	85%	$297,500	$595,000	$1,190,000	$560,811
John H. Masterson	80%	$210,080	$420,160	$840,320	$519,637
Timothy R. Wright	80%	$239,920	$479,840	$959,680	$564,138

Long-Term Incentive Awards

The Compensation Committee uses long-term incentive compensation in the form of equity awards to deliver competitive compensation that recognizes employees for their contributions to the Company and aligns named executive officers with shareholders in focusing on long-term growth and stock performance. The Compensation Committee has determined that long-term incentive compensation awards for our named executive officers should have a value that falls at the high end of the 50th to 75th percentile range of our peer group and other market data. The Compensation Committee believes this level of award is important to signify the strategic significance of the named executive officer s role. The Compensation Committee also believes that long-term incentive awards further the link between compensation and corporate performance.

Recognizing that long-term incentives are generally the most significant element of total remuneration at the senior level and also acknowledging that long-term incentives are a crucial part of the total rewards compensation package that the Company offers, during fiscal 2008 the Compensation Committee completed a review of the Company s long-term incentive structure. The Compensation Committee examined a number of potential long-term incentive vehicles for the grants to be made in the first quarter of fiscal 2009, considering the pros and cons of each. The Compensation Committee also considered the proportion of long-term incentive value to be ascribed to vehicles with time-based vesting versus vehicles with performance-based vesting. The Compensation Committee observed that seven of the ten reporting companies in its compensation peer group offer performance-based long-term incentive vehicles, nine out of ten offer stock options and seven out of ten offer time-based restricted stock/restricted stock units. The Compensation Committee also considered the fact that half of the companies in the compensation peer group use three or more vehicles. Ultimately, the Compensation Committee determined that:

- 50% of the value of each grant would be comprised of stock options with a four-year vesting period;
- 25% would be comprised of restricted stock units with time-based vesting over a four year vesting period; and
- 25% would be comprised of performance share units with performance-based vesting over a three-year vesting period.

The Compensation Committee determined that relative total shareholder return (total shareholder return for the Company as compared to total shareholder return of a healthcare industry index), measured over the three-year performance period, was the appropriate metric for the performance share units. The healthcare industry index selected by the Compensation Committee is comprised of seventeen healthcare companies which generally replicate the Company s mix of businesses and includes all of the members of the peer group of companies established by the Company for purposes of establishing fiscal 2009 compensation.

In determining the value of the fiscal 2009 long-term incentive awards, the Compensation Committee considered for each named executive officer, among other things, individual performance, including TLR scores, the officer s total compensation and mix of compensation for the previous fiscal year, the resulting compensation mix projected for fiscal 2009, previous equity grants and the value of the proposed equity grant relative to market data and to proposed grants for other executive officers. All named executive officers received grants with values in the mid to upper end of the 50^{th} to 75^{th} percentile range of long-term incentive awards to executives in comparable positions, based on peer group and industry market data.

Management recommended, and the Compensation Committee agreed, to make receipt of the fiscal 2009 long-term incentive awards contingent upon entry into a Non-Competition, Non-Solicitation and Confidentiality Agreement. Accordingly, each of the named executive officers, other than Mr. Meelia, entered into a Non-Competition, Non-Solicitation and Confidentiality Agreement with the Company. This agreement included non-competition and non-solicitation restrictive provisions in effect during the executive officer s employment with the Company and for a period of 12 months following termination of employment and confidentiality provisions in effect permanently. Mr. Meelia was not required to sign this agreement because he is already subject to similar provisions which are contained in his employment agreement.

Under the existing terms and conditions of our long-term incentive awards, if an employee who is age 60 or older and has at least 10 years of service with the Company (or a predecessor entity) terminates employment (other than for cause), all outstanding unvested equity held by that participant vests upon such termination of employment. During fiscal 2009, Mr. Meelia, who has over 10 years of service, turned 60. Accordingly, this provision applies to him and, upon a termination of employment (other than for cause), his outstanding unvested equity would vest in full.

Other Benefits

Retirement Benefits

We maintain retirement plans to assist our named executive officers with retirement income planning and increase the attractiveness of employment with us. For our named executive officers, we currently provide:

- a defined contribution 401(k) plan, the Covidien Retirement Savings and Investment Plan, that is available to all eligible United States employees (the Retirement Savings Plan); and

- a non-qualified deferred compensation plan, the Covidien Supplemental Savings and Retirement Plan, in which executive officers and other senior employees may participate (the Supplemental Savings Plan).

Retirement Savings Plan. Under the Retirement Savings Plan, we generally match five dollars ($5.00) for every one dollar ($1.00) employees, including named executive officers, contribute, up to the first one percent (1%) of eligible pay. Employees credited with more than 10 years of service under the Retirement Savings Plan are entitled to an increased matching contribution. With respect to Messrs. Dockendorff, Almeida and Masterson, each of whom have more than 10 years of service under the Retirement Savings Plan, we match six dollars ($6.00) for every one dollar ($1.00) the named executive officer contributes up to the first two percent (2%) of the executive officer s eligible pay. With respect to Mr. Meelia, who has more than 30 years of service, we match nine dollars ($9.00) for every one dollar ($1.00) that Mr. Meelia contributes up to the first five percent (5%) of his eligible pay. Employees are fully vested in Company matching contributions under the Retirement Savings Plan upon completion of three years of service.

Supplemental Savings Plan. Under the Supplemental Savings Plan, participants, including named executive officers, may defer up to 50% of their base salary and 100% of their annual bonus. We provide matching credits based on the participant s deferred base salary and bonus at the same rate such participant is eligible to receive matching contributions under the Retirement Savings Plan and Company credits on any cash compensation (i.e., base and bonus) that the participant earns during a calendar year in excess of applicable IRS limits ($230,000 for 2008 and $245,000 for 2009). Participants are fully vested in matching and Company credits (including earnings on such credits) upon completion of three years of service. The Supplemental Savings Plan is a non-qualified deferred compensation plan that is maintained as an unfunded top-hat plan and is designed to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the Code). Amounts credited to the Supplemental Savings Plan as participant deferrals or Company credits may also be credited with earnings (or losses) based upon investment selections made by each participant from investments that generally mirror investments offered under the Retirement Savings Plan. Participants may elect whether they will receive a distribution of their Supplemental Savings Plan account balances upon termination of employment or at a specified date. Distributions can be made in a lump sum or in up to 15 annual installments.

Health and Welfare Benefits

As part of our overall compensation offering, our health and welfare benefits are intended to be competitive with peer companies. The health and welfare benefits we provide to our named executive officers are offered to all of our eligible United States-based employees and include medical, dental, prescription drug, life insurance (including supplemental life insurance), accidental death and dismemberment, business travel accident, personal and family accident, flexible spending accounts, short- and long-term disability coverage and the employee assistance program. We also provide certain additional benefits to Mr. Meelia as described below.

During fiscal 2007, the Compensation Committee reviewed certain benefits provided to Mr. Meelia prior to our separation from Tyco International Ltd. in June 2007 and approved continuation of these benefits for Mr. Meelia. As described in the notes to the All Other Compensation Table, these benefits, which continued in fiscal 2009, include variable universal life insurance, supplemental long-term disability insurance, excess disability insurance and, for Mr. Meelia and his spouse, long-term care.

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Perquisites and Other Benefits

Perquisites. Although the Company does not have a perquisite program, the Compensation Committee determined that it was in the Company s and the executives best interests to establish an executive physical program which offers comprehensive and coordinated annual physical examinations at a nominal cost to the Company. Other than the executive physical program (and the additional health and welfare benefits and the limited use of corporate aircraft which we provide only to our Chief Executive Officer), we do not provide our named executive officers with any perquisites. The Compensation Committee believes that the emphasis on performance-based compensation, rather than on entitlements such as perquisites, is consistent with its compensation philosophy.

Airplane Usage. The Compensation Committee believes that it is important to have a corporate aircraft policy due to the security and efficiency benefits that such a policy provides to a company. Under the policy, our Chief Executive Officer is permitted to use our corporate aircraft for personal travel, up to sixty (60) block hours (including dead-head legs) per fiscal year. Personal travel for other named executive officers is permitted only if such use is at no incremental cost to the Company and is approved in advance by the Chief Executive Officer or if there are unusual circumstances, such as a medical or family emergency, that the Chairman of the Compensation Committee or the Chief Executive Officer believe warrant such use. None of our named executive officers, other than Mr. Meelia, used the aircraft for personal travel in fiscal 2009. Pursuant to current income tax rules applicable to personal use of aircraft, the Company imputes income to named executive officers for amounts based on the Standard Industry Fare Level rates set by the Civil Aeronautics Division of the Department of Transportation. This imputed income amount is included in a named executive officer s earnings at the end of the year and reported as W-2 income to the Internal Revenue Service. The Company does not provide tax assistance with respect to this imputed income (i.e., no gross-ups).

Employee Stock Purchase Plan

We maintain a broad-based employee stock purchase plan which provides eligible employees, including our executive officers, with the opportunity to purchase Company shares. Eligible employees authorize payroll deductions to be made for the purchase of Company shares. The Company provides a fifteen percent (15%) matching contribution on up to $25,000 of an employee s payroll deductions in any calendar year. All shares are purchased on the open market by a designated broker. Messrs. Meelia and Masterson participated in the employee stock purchase plan in 2009.

Severance and Change in Control Benefits

The Compensation Committee determined that providing severance and change in control benefits to our named executive officers is appropriate, given the fact that these are standard benefits provided by peer companies and also given the need to ensure continuity of management in the event of an actual or threatened change in control. Accordingly, in fiscal 2007, the Compensation Committee adopted a severance plan, the Covidien Severance Plan for U.S. Officers and Executives, and a change in control plan, the Covidien Change in Control Severance Plan for Certain U.S. Officers and Executives.

Severance Plan. Under the severance plan, benefits are payable to any named executive officer (other than our Chief Executive Officer, who has an employment agreement which provides for certain severance benefits) upon an involuntary termination of employment for any reason other than cause, permanent disability or death. Benefits are generally payable for 18 months following termination of employment. In November 2008, the Compensation Committee approved and adopted the amended and restated Covidien Severance Plan for U.S. Officers and Executives which provides that recipients of severance benefits may receive early retirement or normal retirement treatment under stock option, restricted stock and restricted stock unit awards if, during the applicable severance period, they attain the requisite age requirement for such treatment (currently age 55 for early retirement and age 60 for normal retirement).

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Change in Control Plan. Under the change in control plan, benefits are payable to any named executive officer upon an involuntary termination of employment or good reason resignation that occurs during a period shortly before and continuing after a change in control. Benefits are generally payable following termination in a lump sum cash payment equal to two times (2.99 times for our Chief Executive Officer) the sum of the executive s base salary and the average of the executive s bonus for the previous three fiscal years. Additional benefits provided upon a change in control termination include full vesting of outstanding equity awards, continued Company subsidy for health plan premiums for a 24 month period (36 months for our Chief Executive Officer) and outplacement services. Receipt of these benefits is conditioned upon the named executive officer signing a release of any claims against the Company. The Compensation Committee believes that it is important to provide named executive officers with protection in the event that their employment is terminated in connection with a change in control or their position is modified in such a way as to diminish their compensation, authority or responsibilities. Maintaining a double trigger for payment of change in control benefits helps to provide that protection while simultaneously precluding the named executive officer from receiving benefits solely due to a change in control.

Employment Agreement with Richard J. Meelia

On December 29, 2006, Tyco International entered into an executive employment agreement with Mr. Meelia that provided for Mr. Meelia to continue serving as the Chief Executive Officer of the healthcare business of Tyco International until completion of the separation and to serve as the Company s Chief Executive Officer post-separation. This employment agreement is described in more detail following the executive compensation tables below.

Executive Officer Share Retention and Ownership Guidelines

The Compensation Committee has determined that it is in the best interests of the Company for all named executive officers to have meaningful share ownership positions in Covidien in order to reinforce the alignment of management and shareholder interests. Accordingly, the Compensation Committee adopted share retention and ownership guidelines for named executive officers. Under these guidelines, named executive officers are expected to hold company equity with a value expressed as a multiple of base salary as follows:

Chief Executive Officer	5 times base salary
Other Named Executive Officers	3 times base salary

In determining an executive s ownership, shares held directly as well as restricted stock and shares underlying restricted stock units subject to time-based vesting and their accompanying dividend equivalent units are included. Shares underlying unexercised stock options and unvested performance share units and their accompanying dividend equivalent units are not included in the calculation. Executives are required to achieve the requisite ownership position within five years of first becoming subject to the share ownership guidelines. Each of the named executive officers other than Mr. Wright has achieved shareholdings in excess of the applicable multiple set forth above.

Tax Considerations

Deductibility of Executive Compensation

Code Section 162(m) limits to $1 million the tax deduction available to public companies for annual compensation that is paid to covered employees (generally, the named executive officers other than the Chief Financial Officer), unless the compensation qualifies as performance-based or is otherwise exempt from Code Section 162(m). In evaluating compensation programs applicable to our named executive officers (including the 2007 Stock and Incentive Plan, under which our named executive officers receive annual incentive bonuses, stock options and restricted stock units), the Compensation Committee considers the potential impact on the Company of Code Section 162(m). The Compensation Committee generally intends to maximize deductibility of

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compensation under Code Section 162(m) to the extent consistent with our overall compensation program objectives, while also maintaining maximum flexibility in the design of our compensation programs and in making appropriate payments to named executive officers.

Compensation Committee Report on Executive Compensation

The Compensation Committee is responsible for the oversight of the Company s compensation programs on behalf of the Board of Directors. In fulfilling these responsibilities, the Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis set forth in this Proxy Statement.

Based on the review and discussions referred to above, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company s Annual Report on Form 10-K for the fiscal year ended September 25, 2009, and Proxy Statement for the 2010 Annual Meeting of Shareholders, each of which will be filed with the Securities and Exchange Commission.

Compensation and Human Resources Committee

Timothy M. Donahue, Chairman

John M. Connors, Jr.

Kathy J. Herbert

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Executive Compensation Tables

Summary Compensation

The information included in the Summary Compensation Table below reflects compensation earned during each of the last three fiscal years by our chief executive officer, chief financial officer and the three other most highly compensated executive officers in our 2009 fiscal year. We refer to these five individuals collectively as our named executive officers. For a more complete understanding of the table, please read the narrative disclosures that follow the table.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Salary ($)	Stock Awards ($)	Option Awards ($)